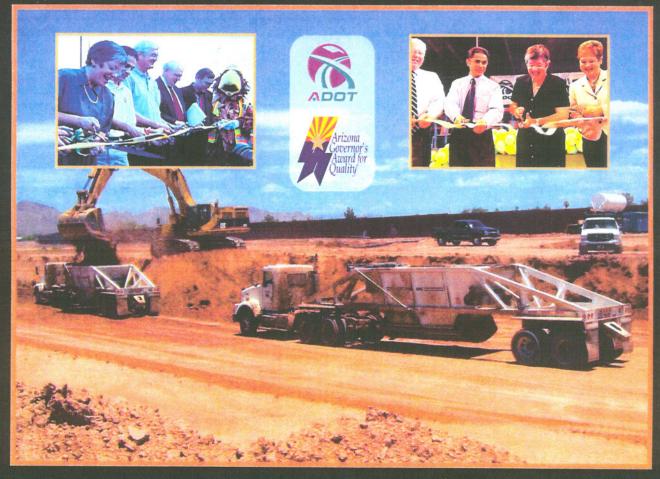
# LIFE CYCLE CERTIFICATION

Regional Freeway System

July 31, 2006







# **Arizona Department of Transportation**

Certification of Revenue and Construction Costs for the

# **REGIONAL FREEWAY SYSTEM**

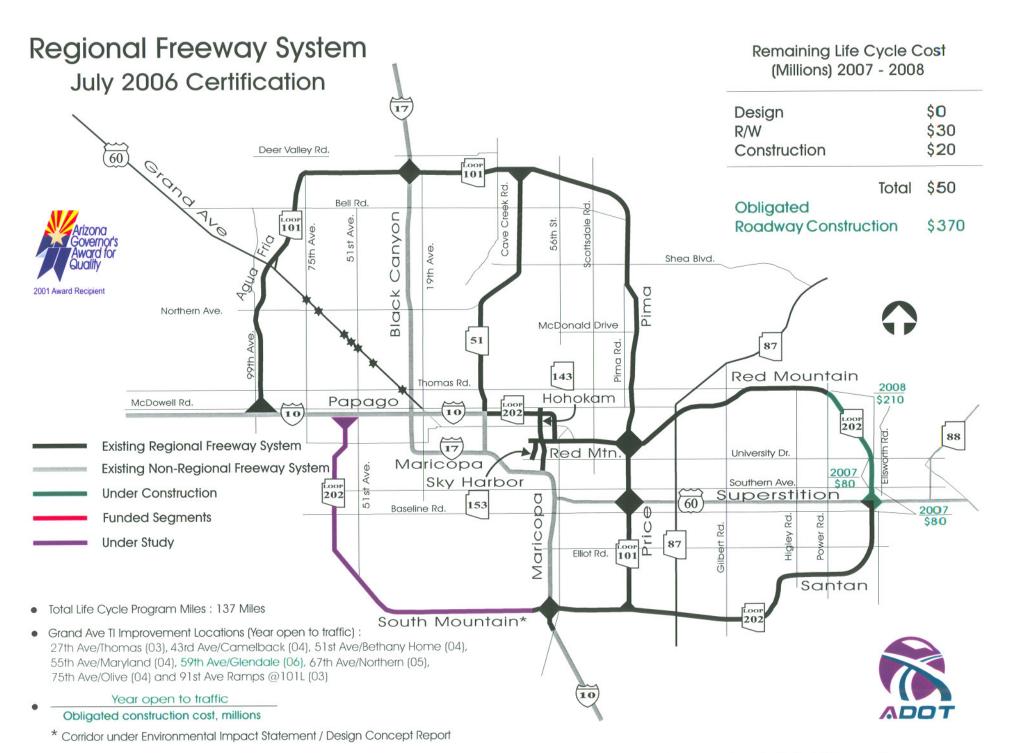
July 31, 2006



Victor M. Mendez, Director Arizona Department of Transportation

# TABLE OF CONTENTS

*	Regional Freeway System Map	Page ii
*	Introduction and History	1
*	Executive Summary	5
*	Revenue Projections and Changes	8
*	Construction Costs and Changes	.11
*	Historical Overview	.17
*	Appendix	.19



# **INTRODUCTION AND HISTORY**

This semi-annual Regional Freeway System Life Cycle Certification report is prepared in compliance with the 1991 Performance Audit of the Maricopa Association of Governments (MAG) Regional Freeway Program. The report is designed to review the progress of the Regional Freeway System program and identify the projections and changes in program revenues and costs.

The Regional Freeway System is funded by three primary revenue sources: the Maricopa County transportation excise tax (often referred to as the one-half cent sales tax or Regional Area Road Funds), the Arizona Department of Transportation's (ADOT) share of Highway User Revenue Fund (HURF) monies dedicated to Maricopa County for controlled access highways and various other revenues (reflected in the table on page eleven).

The concept of a Life Cycle Program refers to a programming approach that forecasts and allocates funds through the full life of a major funding source. The Life Cycle Program covers the project program through year 2007, and reflects a fiscal balance between anticipated revenues and expenditures. The Life Cycle Program provides the necessary management tools to ensure both ADOT and MAG maintain realistic planning and construction schedules, predicated upon funding, and provide periodic reports to the public and other governmental agencies.

On October 8, 1985, the voters in Maricopa County approved Proposition 300 to establish a one-half cent sales tax for construction of controlled-access highways. These funds are called Regional Area Road Funds (RARF). These controlled-access facilities must be on the MAG Regional Transportation Plan and the State Highway System. The facilities are constructed and maintained by ADOT. In accordance with Arizona Revised Statutes Section 28-6538, ADOT allocates a portion of the Highway User Revenue Fund (HURF) to controlled-access highways in Maricopa County. Also, federal aid funds can be used in connection with construction of certain segments approved for federal funds on the controlled-access system.

Following the passage of Proposition 300 in 1985, ADOT began developing Location Studies and Design Concept Studies to define the specific location and design concepts for all the freeway corridors to be funded with RARF. To expedite the construction of the first segments, design was started on a segment of the Agua Fria Freeway (101L) between Northern Ave. and Bell Rd. and a segment of the Price Freeway (101L) between Southern Ave. and University Dr. Early design and construction continued on the Agua Fria, SR51 and East Papago (now Red Mountain) freeways.

Upon completion of the Design Concept Studies, it was clear that the projected revenues were not sufficient to complete the Regional Freeway System as originally planned in 1985. As a result, the Performance Audit conducted in 1991 made recommendations to improve ADOT's effectiveness in fulfilling its regional freeway program responsibilities.

One recommendation established the Life Cycle Program. The concept of a Life Cycle Program refers to a programming approach that forecasts and allocates funds through the full life of a major funding source. The original Life Cycle Program covered the full period from the beginning of the one-half cent tax in 1986 through 2005, and reflects a fiscal balance between anticipated revenues and expenditures. The Life Cycle Program provides the necessary management tools to ensure both ADOT and MAG maintain realistic planning and construction schedules, predicated upon funding, and provide periodic reports to the public and other governmental agencies. The funded program was scaled back to only reflect those corridors and projects that could reasonably be funded through the life of the program.

In 1995, the plan to complete the Regional Freeway System was modified after the November 1994 defeat of Proposition 400. If passed, Proposition 400 would have imposed a new one-half cent transportation excise tax through 2015 and extended the current one-half cent transportation excise tax an additional ten years (through 2015). Proceeds of the new tax would have been divided equally for freeway and public transportation purposes. In December 1994 a modified plan was developed, often referred to as "the Governor's Plan", that included additional funding from higher sales tax forecasts, a greater allocation of MAG federal funds for freeways and ADOT generated budget savings. The Governor's Plan recommended deletion of certain corridors and corridor segments, proposed higher bonding levels and included corridor scope reductions to lighting, landscaping, structure widths and freeway lanes.

After realizing higher than expected revenues, the MAG Regional Council approved a revised Freeway/Expressway Plan for the Life Cycle Program on November 20, 1996. The plan advanced projects, added a Grand Avenue improvement project at 27<sup>th</sup> Ave./Thomas Rd., added the west half of the I-10 / Santan / South Mountain TI, restored landscaping, structure widths and lanes, added auxiliary lanes and added a "Set-Aside" project for an interim South Mountain expressway in lieu of a privatization project. The MAG Regional Council also identified funding for a Long-Range Plan (FY 2007 - 2015). Previously unfunded portions of the Red Mountain, Santan, and Sky Harbor freeways were prioritized, and a Grand Avenue improvement project at 43<sup>rd</sup> Ave./Camelback Rd. was added to create the Long Range Plan for the Regional Freeway System.

In April 1999 the State Legislature passed SB1201 which provided innovative financing alternatives through the Highway Expansion and Extension Loan Program (HELP) to assist in funding the acceleration of the Regional Freeway Program. The Governor, ADOT and MAG developed a strategy to complete the Regional Freeway System by the end of 2007 using these innovative financing alternatives. The "2007 Acceleration Plan" was developed in conjunction with MAG and other local agencies. The MAG Area Life Cycle Construction Program (FY 2000-06) was amended to reflect the acceleration of projects in accordance with the plan. In prior program years, projects that were projected to be funded beyond the Life Cycle period (2000-2006) were shown in the Long Range Plan (2007-2014). The Life Cycle Program no longer shows projects as part of a Long Range Plan, since most of the remaining projects have been accelerated to be completed

in the Life Cycle period ending in 2007. However, most of the proposed South Mountain Freeway remains designated as unfunded.

The 2007 Accelerated Plan is dependent on the following assumptions (These assumptions were originally published in the July 1999 Certification):

#### Program Scheduling Assumptions:

- Project Delivery System Improved
- Early Completion of General Plans
- Early Acquisition of Right of Way
- Completion of Environmental Corridor Studies
- Consultant and Contractor Resources Available
- ADOT Maintains Core Staff for System Delivery
- No Major Design Changes after 30% Plans are Completed
- Support of Major Stakeholders (Cities, County, Federal Agencies & Utility Companies)
- Availability of Design-Build Contracting

#### Program Financing Assumptions:

- \$300 Million New State Infrastructure Bank (SIB)/Highway Expansion and Extension Loan Program (HELP) Financing
- \$250 Million of Grant Anticipation Notes (GANs)
- Continued Funding From ADOT Statewide Program
- Continued ADOT and MAG Federal Aid Funding
- Future Vehicle License Tax Initiatives will be Revenue Neutral
- Interest Rates are Stable
- Project Costs Maintained Within Program Inflation Contingency
- No Significant Economic Downturns

The FY 2001-2007 MAG Area Life Cycle Construction Program (approved in June 2000) funds additional design features, including many of the features deleted as part of the 1994 Governor's Plan. The added design features included in the program are median cable barriers, continuous freeway lighting, auxiliary lanes, FMS infrastructure and restored lanes (4 to 6 lanes) on the Red Mountain Freeway (Power Road to US 60) and on the Santan Freeway (SR 87 to Power Road).

The FY 2001-2007 Life Cycle Construction Program also included the addition of state funding to complete intersection improvements recommended in the Grand Avenue Major Investment Study (MIS), completed in September 1999. Based on the MIS recommendation, eight interchange locations were identified for improvement.

The FY 2003-2007 Life Cycle Construction Program incorporated a cost increase at the US60/202L System Interchange based on the cost estimate from the Design Concept Report (DCR) / Environmental Assessment (EA). The update was needed since this

interchange was originally scoped in the late 1980's. The freeway to freeway system interchange was updated to meet current traffic projections and design standards. Additional revenues to address this cost increase are from state discretionary funds in the FY 2003 - 2007 Program approved by the State Transportation Board.

The FY 2005—2007 Life Cycle Construction Program incorporated a cost increase at the Red Mountain Freeway (202L) from Power Rd. to University Dr. based on the cost estimate from the 30% (Stage II) design plans. The update was needed since this segment was originally scoped in the late 1980's. This segment has been updated to meet current design and environmental standards. The major cost increases are related to additional earthwork and drainage features; construction of a freeway levee; additional bridge structures; and reconstruction of the Spook Hill Floodwater Retarding Structure at numerous locations.

Arizona House Bill 2292, which was passed in the Spring 2003 session of the Arizona Legislature, established the Transportation Policy Committee which was tasked with developing a Regional Transportation Plan for Maricopa County, and established the process for an election to extend the current ½ cent County Transportation Excise Tax. The Regional Transportation Plan includes both new freeway corridors to serve growth in the region and improvements to the existing system to reduce current and future congestion. The Regional Transportation Plan also addresses quality of life issues such as noise mitigation, maintenance, litter control and landscaping. The Regional Transportation Plan has three major components: Freeways/Highways, Transit and Arterial Roads.

On November 2, 2004, voters in Maricopa County approved Proposition 400 to extend the existing half-cent Sales Tax for transportation for an additional twenty years to 2026. The current tax expires December 31, 2005. The extension begins January 1, 2006.

Sjoberg Evashenk Consulting, Inc., completed the 2000-2005 Performance Audit on the Maricopa County Regional Freeway System on June 28, 2005. The Auditor's report made six financial and administrative recommendations, which ADOT will implement. Overall the audit reflected that ADOT has managed the Regional Freeway System effectively and delivered the freeway program on schedule and generally within budget.

A key management tool used for the Life Cycle Program is the development of certified revenues and costs. Certification involves the preparation of reliable cost estimates for the entire MAG system, as well as a forecast of revenues available to fund the system. The costs and revenues are reviewed and certified by ADOT every six months.

This certification of information pertaining to the Regional Freeway Program constitutes the official position of ADOT and is used for all planning and programming purposes. It enhances the information flow to MAG and the public on a periodic basis and allows ADOT to make program adjustments as necessary.

# **EXECUTIVE SUMMARY**

The Director of the Department of Transportation has certified the MAG Area Life Cycle Program of the Regional Freeway System effective July 31, 2006. This certification of the MAG Area Life Cycle Program incorporates the following:

- \* December 1994 : Governor's Plan
- \* November 1996: MAG Freeway/Expressway Plan
- \* May 1999: 2007 Acceleration Plan
- \* July 2006: Adopted FY 2007 2008 MAG Area Life Cycle Program

Revenue forecasts and construction cost estimates are based on a cutoff date of May 31, 2006.

# **Major Milestones since Last Certification**

- □ The Santan Freeway (202L) from Gilbert Rd. to Elliot Rd was opened to traffic on June 12, 2006. A freeway public celebration and ribbon cutting was held Wednesday, June 7, 2006.
- □ The Grand Avenue at 59<sup>th</sup> Ave./Glendale Ave. intersection project was opened to traffic on July 10, 2006. An opening celebration was held Thursday, July 6, 2006.
- □ The Santan Freeway (202L) from Frye Rd. to Power Rd. landscape construction project was advertised in January 2006 and awarded in March 2006.
- □ The Santan Freeway (202L) from Gilbert Rd. to Frye Rd. landscape construction project was advertised in February 2006 and awarded in April 2006.
- □ The Santan Freeway (202L) from Power Rd. to Elliot Rd. landscape construction project was advertised in March 2006 and awarded in April 2006.
- □ The Red Mountain Freeway (202L) from Power Rd. to University Dr. construction began in February 2006, the last of the major roadway construction project for Proposition 300 funding.
- □ The Pima Freeway (101L) from SRPMIC Boundary to Camelback Rd. landscape construction project was advertised in June 2006.

☐ Major construction work continues on the following projects:

Corridor	Project Location	Length (Mile)	Completion Date
Red Mountain	US60/202L TI, Phase 2	0.50	Early 2007
Red Mountain	University Dr. – Southern Ave.	2.20	Mid 2007
Red Mountain	Power Rd. – University Dr.	4.67	Mid 2008

### **Program Changes**

The following changes to the Tentative FY 2007 - 2008 Life Cycle Program have been included in the new program to assure the completion of the Regional Freeway System.

- □ Updated project schedule to reflect current construction schedule.
- □ Updated two Red Mountain Freeway (202L) landscape construction project costs to reflect adjusted cost.
- □ Updated R/W reprogrammed items based on latest cost estimates.
- Modified Regional Transportation Plan Freeway Program based on latest information.

#### Revenues

Net funds available through fiscal year 2008 for the Life Cycle Program show an increase of \$26.1 million from the previous Certification. Details are presented in the "Revenue Projections and Changes" section, page 10.

#### **Program Costs**

Obligations for the Life Cycle Program totaled \$28 million since the last Certification in January 2006. The remaining cost to complete the Life Cycle Program changed from \$71 million to \$52 million.

#### **Advanced Projects**

The following projects were advanced through local agency participation:

Corridor	Project Location	Current Status	Original Completion Date	Advanced Completion Date	Agency
Price	Warner Rd Frye Rd.	Complete	December 2001	December 2000	Chandler
Red Mt.	Country Club Dr.— Gilbert Rd.	Complete	June 2003	January 2002	Mesa
Santan	Santan/I-10 TI, Phase I (Pecos Road Conn.)	Complete	December 2004	February 2002	Phoenix
Red Mt.	Gilbert Rd. – Higley Rd.	Complete	May 2004	January 2003	Mesa
SR 51	Union Hills Dr. – Pima Freeway (101L)	Complete	June 2005	May 2003	Phoenix

#### **Program Trends**

This certification confirms that the revenues and costs are in balance. However, there are other economic trends that the Department will continue to monitor.

During fiscal year 2006, growth of the Transportation Excise Tax Revenues has been significantly stronger compared to average growth over the past three years and was 8 percent higher than the projection the fiscal year. This is primarily due to the overall strength of the economy in Maricopa County.

FY 2006 construction bids for Regional Freeway System Program projects were 25 percent to 30 percent higher than program estimates. In part, these higher project costs indicate substantial increased costs for construction materials and with bids reflecting the higher risk associated with uncertainties related to commodity prices and availability. Furthermore, substantial increases in real estate values have also affected right of way costs. ADOT will continue to monitor market conditions and costs throughout fiscal year 2007 to determine if higher construction and right of way costs are short-term in nature or reflect general long-term trends.

ADOT will monitor and review these trends closely and will continue assessing the potential financial impact to the program.



# **Arizona Department of Transportation**

# **Transportation Services Group**

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

John A. Bogert Chief of Staff

#### LETTER OF CERTIFICATION

The Financial Management Services Office of the Arizona Department of Transportation (ADOT) has developed the following information describing the estimated funds available for construction of the Regional Freeway System from Fiscal Year 1986 through Fiscal Year 2008. This information updates certain information previously certified on January 31, 2006.

This information is intended primarily for internal planning purposes and requires reliance upon a variety of data and information sources. The revenue forecasts rely upon assumptions regarding future economic conditions and on forecasts of certain independent economic variables. These assumptions may or may not prove to be accurate. If the assumptions do not prove accurate, differences between forecast and actual results may occur.

We believe the results contained herein represent a realistic forecast of Maricopa County transportation excise tax revenues, MAG dedicated highway user revenues and other available monies for the period described above and so certify. However, the Department will continue its practice of reviewing and updating the forecasts as needed on a semi-annual basis.

John E. McGee

Chief Financial Officer

July 31, 2006

Date



## FINANCIAL ASSUMPTIONS

Following are the assumptions made in estimating revenues available for the Regional Freeway System Life Cycle Program.

Bond Proceeds and Debt Service: The issuance of bonds secured by HURF revenues are assumed. Interest on the bond issues is assumed to be 5.0 % maximum. Bond maturities are assumed for up to 20 years. Bonds are amortized on a level debt service basis, and assume no refinancing or restructuring. No additional bonds secured by federal aid revenues are assumed.

<u>Transportation Excise Tax:</u> The forecast was developed during the September 2005 Risk Analysis session. Authority for and collection of the current transportation excise tax ended on December 31, 2005.

Highway User Revenues: The HURF revenue forecast reflects a probability level of attainment at 50 percent during the FY 2006-2007 period. The forecast also assumes that current law authorizing the MAG 12.6 % allocation and the Transportation Board policy for the MAG Special 2.6% allocation will remain in effect through FY 2015. Furthermore, it is assumed that highway user revenue tax rates will remain at current levels through FY 2015.

<u>Federal Aid:</u> The Federal Aid forecast assumes an annual average of \$34.1 million of MAG sub-allocated federal funds will be dedicated to the Regional Freeway System. Yearly federal funds forecasts are based on specific federal aid projects, and Grant Anticipation Notes (GANs) debt service requirements.

MAG HURF Exchanges: Assumes no additional MAG HURF exchanges. (Current local HURF exchanges consist of \$3.2 million on Red Mountain, and \$3.2 million on State Route 51)

<u>Interest Income:</u> Assumes a 3.0% investment rate on prior month's average cash balance.

<u>Third Party Billing:</u> Represents local funds and State federal funds for programmed projects.

Other Income: Includes building rent, sales of excess property and other miscellaneous income.

<u>Discount Factor:</u> Base year is FY 2006. An annual inflation factor is applied to the costs based on estimated construction and right of way cash flows. See Appendix A.

<u>Regional Area Transit System:</u> A portion of RARF monies are allocated to transit-related activities by A.R.S. 28-6305.B. The amount varies each year based on the Gross Domestic Product price deflator.

<u>State Discretionary Funds:</u> Highway funds in the form of HURF or Federal aid are included in the Regional Freeway Program. State Discretionary Funds are assumed to be \$46.6 million for FY 2007, \$41.1 million for FY 2008, \$35 million for FY 2009, \$20.3 million for FY 2010 and \$4 million for FY 2011.

#### **Revenue Sources and Uses**

The following pie chart depicts the sources and uses of Regional Freeway System revenues. The sources consist of the transportation excise tax (1/2 cent sales tax), highway user revenues (HURF) which are dedicated for controlled-access highways within the urban area, and various other revenues (reflected in the table on page eleven). The transportation excise tax makes up 58.4 percent of the total revenues, with HURF reflecting 18.0 percent and the remaining 23.6 percent consisting of various other funding sources, primarily federal aid.

The majority of funds, 83.3 percent, are used for design, right of way and construction. The remaining 16.7 percent is primarily for bond interest payments, a discount factor and Regional Public Transit Authority (RPTA) transfers.



\* Construction includes design, right of way and construction

Note: This Certification does not include the additional revenues and program costs associated with the passage of Proposition 400.

#### **Net Revenues**

The following chart reflects a breakdown of the individual revenues and costs for the MAG Area Life Cycle Program. The center column depicts the change in revenues/costs from the previous certification. Net funds available have increased \$26.1 million.

#### Net Revenue/ Funding Changes

(dollars in millions)

	Accel. Life C	ycle Program		Future Funding	Total Available
Revenues	January 2006	July 2006	Change	FY 2009 to 2015	Through FY 2015
HURF 15% (prior to 1986)	259.0	259.0	1.5	-	259.0
1/2 Cent Sales Tax	3,782.1	3,789.9	7.8	-	3,789.9
HURF Controlled Access	1,163.0	1,167.8	4.8	696.3	1,864.1
ADOT HURF Exchanges	18.0	18.0	-	-	18.0
MAG Federal Aid /1	440.3	441.6	1.3	238.7	680.3
Local HURF from MAG	6.4	6.4	-	-	6.4
State Discretionary /2	385.3	390.3	5.0	51.3	441.6
Federal Demonstration	8.9	8.9	-	-	8.9
Matching Funds	13.2	13.2	-	-	13.2
3rd Party	120.1	118.3	(1.8)	-	118.3
Interest Income /3	120.8	125.3	4.5	27.0	152.3
Miscellaneous Income	151.7	150			154.9
Subtotal: Revenues	6,468.8	6,488.7	19.9	1,018.2	7,506.9
Debt Service /4	(824.2)	(823.5)	0.7	(325.6)	(1,149.1)
SB 1201/GANs Debt Service /5	(85.2)	(83.6)	977.77	(43.7)	
Discount Factor	(13.0)	100/00/20 1000	2//3/29	(0.1)	(8.4)
RPTA Transfer	(148.9)		-	-	(148.9)
Other /6	(18.5)		(0.8)	6.0	(13.3)
Subtotal: Costs	(1,089.8)		6.2	(363.4)	(1,447.0)
Net Funds Available	\$5,379.0	\$5,405.1	\$26.1	\$654.8	\$6,059.9

Notes: Details may not add due to rounding. Dollars in millions.

## **Acceleration Financing**

The "2007 Acceleration Plan" assumes the use of two new financing techniques: Grant Anticipation Notes (GANs) and the Highway Expansion and Extension Loan Program (HELP).

The Board has the authority to issue Grant Anticipation Notes pursuant to A.R.S. Title 28, Sections 7611 – 7617. GANs are a financing mechanism that leverages future receipts of Federal Highway funding.

In addition to GANs, acceleration of the Regional Freeway System will also be accomplished by utilizing the HELP program. HELP is Arizona's State Infrastructure Bank (SIB) and is a loan fund that is capitalized by federal and state dollars, as well as Board Funding Obligations (BFO).

<sup>/1</sup> Includes STP and CMAQ.

<sup>/2</sup> Includes State HURF transfer, Dedicated Hwy and Discretionary transfer to Grand Ave. and Agua Fria.

<sup>/3</sup> Interest income is on a cash basis and assumes a 3.0% rate with 95% invested. Interest income is dependent on fund balances.

<sup>/4</sup> Includes estimated RARF, HURF, Planned HURF interest and debt service reserve interest.

<sup>/5</sup> Interest only. GANs principal repaid with MAG federal aid.

<sup>/6</sup> Includes election costs, staffing and insurance premiums.

# **Freeway Construction Costs and Changes**

The design and construction cost estimates for the remaining Regional Freeway projects are thoroughly reviewed and updated by DMJM Harris, the General Consultant for the Regional Freeway System. DMJM Harris continually reviews and evaluates design and construction cost estimates. DMJM Harris also provides preliminary engineering services by developing Stage I (15%) and Stage II (30%) project documents for the Life Cycle Program. This effort helps define design and right of way requirements allowing ADOT to establish better cost estimates for design, right of way, utility relocations and construction. They further monitor the design consultants' cost estimates through the remaining design phases including the final estimates. DMJM Harris also evaluates contractor bids for Regional Freeway System construction projects to constantly monitor construction unit cost trends, such as the cost of concrete, asphalt, structures, drainage and other items used to establish project cost estimates.

The revenue forecast was developed during the September 2005 Risk Analysis Process. Panel members from various segments of the real estate and economic community were invited to discuss future risks and trends in revenues. The consultant updated construction cost forecast models and utilized the previous year's panel input to calculate discount factors. The consultant and Regional Freeway System office reviewed the discount factors and made adjustments to fit current cost trends. The information collected was used in the Risk Analysis Process to ensure that ADOT has sufficient resources to complete the Life Cycle Program by projecting the rate of construction cost growth for the Life Cycle period (See Appendix A for Discount Factors).

## **Roadway Construction**

As of July 31, 2006 the Arizona Department of Transportation has opened 129.6 miles of regional freeways throughout the metropolitan area. There are 7.4 miles of freeway currently under construction on the Red Mountain corridor. The current Life Cycle Program will complete a total of 137.0 miles of freeways. Mileage has been updated from the latest information available, including Concept Reports, General Plans and Design Plans.

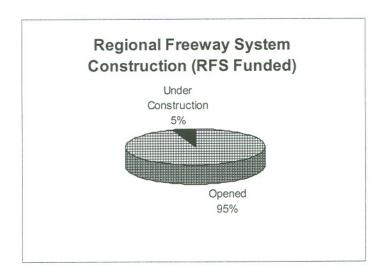
### **Regional Freeway System Construction**

(Centerline miles)

		Under	Funded under	
Corridor	Opened	Construction	RTP Freeway Program	Total
Agua Fria	22.0	0		22.0
Grand Ave (1)	4.5	0	<b>用指信服务</b>	4.5
Hohokam	3.1	0	TO THE REAL PROPERTY.	3.1
Pima	28.2	0	ALCO THE CONTRACT OF THE PARTY	28.2
Price	9.9	0	*************************************	9.9
Red Mountain	23.5	7.4		30.9
Santan	24.8	0	· · · · · · · · · · · · · · · · · · ·	24.8
Sky Harbor	2.4	0	0.9*	3.3
South Mountain	1.0	0	21.1**	22.1
State Route 51	10.2	01.01		10.2
Total	129.6	7.4	22.0	159.0

- (1) Intersection improvements. The Grand Ave mileage was defined and represents the eight intersections added to the program.
- \* Design is on hold pending City of Phoenix traffic study access to Sky Harbor International Airport. The Sky Harbor Corridor from Superior Ave. to University Dr. construction project is now funded under the RTP Freeway Program.
- \*\* Funding included in the RTP Freeway Program.

Shaded Corridors indicate those that have been completed or funded under the RTP Freeway Program.



# **Obligations**

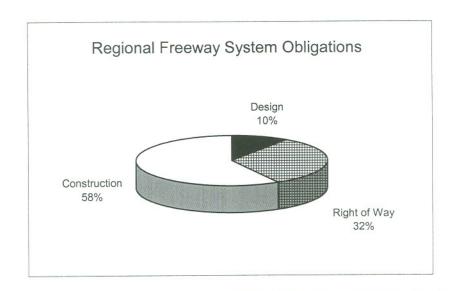
Obligations by phase and corridor are listed in the table below. These figures are through May 31, 2006 and include obligations made prior to 1986 using 15% controlled access monies. Regional Freeway System obligations since the last certification increased \$28 million, from \$5.654 billion to \$5.682 billion.

# Regional Freeway System Obligations Through May 31, 2006

(dollars in millions)

Corridor	Design/Utility	Right of Way	Construction	Totals
Agua Fria	\$64.1	\$260.0	\$356.7	\$680.8
Estrella	\$4.6	\$1.6	\$6.7	\$12.9
Grand Ave	\$24.0	\$71.8	\$145.9	\$241.7
Hohokam	\$22.2	\$61.1	\$105.7	\$189.0
Paradise*	\$4.1	\$33.1	\$0.0	\$37.2
Pima	\$117.9	\$500.0	\$686.3	\$1,304.2
Price	\$53.6	\$59.0	\$208.1	\$320.7
Red Mountain	\$82.3	\$356.4	\$816.2	\$1,254.9
Santan	\$45.9	\$285.5	\$676.1	\$1,007.5
Sky Harbor	\$9.4	\$11.4	\$34.0	\$54.8
South Mountain	\$11.1	\$32.0	\$43.3	\$86.4
State Route 51	\$27.0	\$146.8	\$205.7	\$379.5
System Wide	\$85.2	\$21.0	\$5.9	\$112.1
Total	\$551.4	\$1,839.7	\$3,290.6	\$5,681.7

\* Paradise Corridor was deleted from the Regional Freeway System and right of way was sold.



### Remaining System Costs

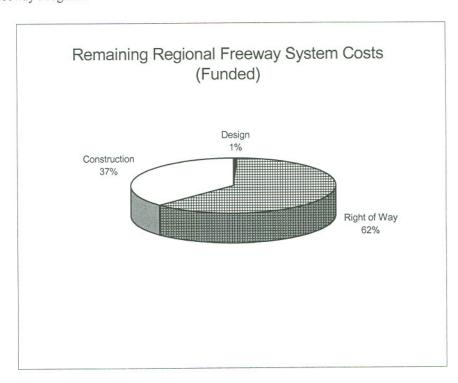
There remain \$52 million of costs associated with the Life Cycle Program, a decrease of \$19 million from the January 2006 Certification.

# Regional Freeway System Costs (Funded)

(dollars in millions)

	Life			
Corridor	Design	Right of Way	Construction	Total
Agua Fria	\$0.0	\$0.0	\$0.0	\$0.0
Grand Ave	\$0.0	\$0.0	\$0.0	\$0.0
Hohokam	\$0.0	\$0.0	\$0.0	\$0.0
Paradise	\$0.0	\$0.0	\$0.0	\$0.0
Pima	\$0.3	\$0.0	\$3.6	\$3.9
Price	\$0.0	\$0.0	\$0.0	\$0.0
Red Mountain	\$0.0	\$7.6	\$15.7	\$23.3
Santan	\$0.0	\$18.0	\$0.0	\$18.0
Sky Harbor*	\$0.0	\$6.8	\$0.0	\$6.8
State Route 51	\$0.0	\$0.0	\$0.0	\$0.0
System Wide	\$0.0	\$0.0	\$0.0	\$0.0
South Mountain	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL	\$0.3	\$32.4	\$19.3	\$52.0

<sup>\*</sup> The Sky Harbor Corridor from Superior Ave. to University Dr. construction project is funded under the RTP Freeway Program.



#### Roadway Design and Studies

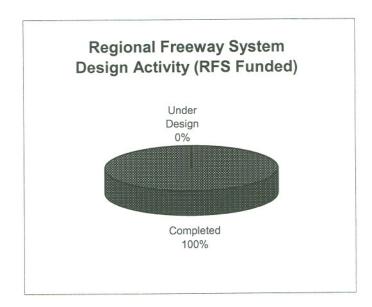
ADOT completed major Regional Freeway System roadway design. Landscape design continues on the various corridors. Design is on hold pending a City of Phoenix traffic study access to Sky Harbor International Airport.

Regional Freeway System Design Activity (miles)

Corridor	Completed	Under Design	RTP Program	Total
Agua Fria	22.0	0.0	0.0	22.0
Grand Ave (1)	4.5	0.0	0.0	4.5
Hohokam	3.1	0.0	0.0	3.1
Pima	28.2	0.0	0.0	28.2
Price	9.9	0.0	0.0	9.9
Red Mountain	30.9	0.0	0.0	30.9
Santan	24.8	0.0	0.0	24.8
Sky Harbor*	2.4	0.0	0.9	3.3
South Mountain*	1.0	0.0	21.1	22.1
State Route 51	10.2	0.0	0.0	10.2
TOTAL	137.0	0.0	22.0	159.0

- (1) The Grand Avenue mileage was defined and represents the eight intersections added to the program.
- \* Funding included in the RTP Freeway Program

Shaded Corridors indicate those that have been completed or projects funded under the RTP Freeway Program.

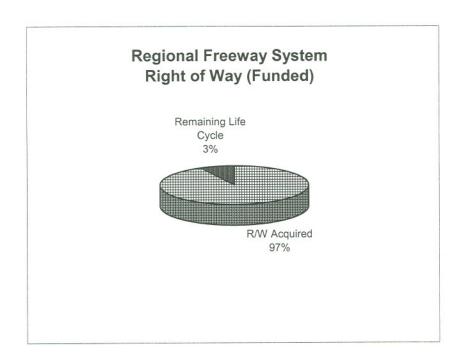


# Right of Way

As of June 1, 2006, the Right of Way Group acquired 8,651 acres for the MAG Regional Freeway System. There remain 224 acres to be acquired at an estimated cost of \$32 million.

# Regional Freeway System Right of Way (acres)

Corridor	Acquired R/W	Remaining Life Cycle	Total
Agua Fria	1,481.2	0.0	1,481.2
Grand Ave	138.6	0.0	138.6
Hohokam	117.2	0.0	117.2
Pima	1,756.1	0.0	1,756.1
Price	452.2	0.0	452.2
Red Mountain	1,931.1	191.3	2,122.4
Santan	2,120.0	15.4	2,135.4
Sky Harbor	61.9	17.3	79.2
South Mountain	310.8	0.0	310.8
State Route 51	281.5	0.0	281.5
Total	8,650.6	224.0	8,874.6





Director

# Arizona Department of Transportation

# Intermodal Transportation Division

206 South Seventeenth Avenue Phoenix, Arizona 85007

Sam Elters State Engineer

#### LETTER OF CERTIFICATION

The Intermodal Transportation Division of the Arizona Department of Transportation (ADOT) has completed a six month review and update of costs associated with construction of the Regional Freeway System. Construction and design costs have been updated by our Valley Project Management Group; DMJM Harris, our General Consultant; and the consultants currently preparing final construction plans. Right of way costs have been updated by the ADOT Right of Way Group reflecting current appraisals and changes in right of way requirements. This information replaces data previously certified on January 31, 2006.

The construction and right of way cost data in this document provides an accurate accounting of costs incurred and includes a realistic estimate of future costs based upon current construction costs and real estate values. Estimated future costs are subject to changes in the economy and are affected by variables in national, state and localized market values and trends.

The results of our review provide an accurate basis upon which to schedule and fund the balance of the freeway construction program for Fiscal Years 2007-2008. Today, the Regional Freeway Plan continues to be on schedule and within budget. However, the Department will continue to monitor all trends.

Sam Elters
State Engineer

7/27/06 Date



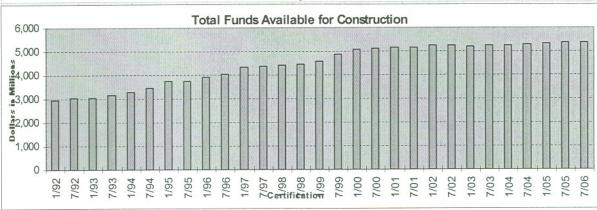
# **Historical Overview of Funding**

The Director of the Department of Transportation has been certifying the revenues available for construction of the Regional Freeway System Life Cycle Program since January 1992. Table 1 shows the revenue estimates and associated costs beginning with the January 1992 Certification. Graph 1 shows the level of funding available for construction of the Regional Freeway System Life Cycle Program.

Table 1
Historical Life Cycle Funds Available for Construction (dollars in millions)

		Reve	nues		Costs			Revenue	Available
	1/2 Cent					Transit &		Deflation	for
Certification	Tax	HURF	Other	Total	Capital			Amount	Construction
January 1992	\$2,922.0	\$1,001.0	\$314.0	\$4,237.0	(\$899.0)	(\$151.0)	(\$1,050.0)	(\$209.0)	\$2,978.0
July 1992	2,922.0	1,001.0	488.0	4,411.0	(895.0)	(151.0)	(1,046.0)	(340.0)	3,025.0
January 1993	2,937.0	987.0	499.0	4,423.0	(888.0)	(151.0)	(1,039.0)	(338.0)	3,046.0
July 1993	2,937.0	987.0	614.0	4,538.0	(872.8)	(150.0)	(1,022.8)	(364.5)	3,150.7
January 1994	2,991.2	989.0	723.0	4,703.2	(847.9)	(150.0)	(997.9)	(395.5)	3,309.8
July 1994	3,104.6	968.9	758.0	4,831.5	(847.9)	(151.0)	(998.9)	(353.8)	3,478.8
January 1995	3,228.0	964.0	995.0	5,187.0	(899.0)	(142.0)	(1,041.0)	(384.0)	3,762.0
July 1995	3,230.0	966.0	985.0	5,181.0	(896.0)	(142.0)	(1,038.0)	(380.0)	3,763.0
January 1996	3,339.0	978.0	987.0	5,304.0	(872.0)	(141.0)	(1,013.0)	(387.0)	3,904.0
July 1996	3,472.0	1,001.0	981.0	5,454.0	(869.0)	(141.0)	(1,010.0)	(412.0)	4,032.0
January 1997	3,643.0	1,001.0	1,007.0	5,651.0	(875.0)	(142.0)	(1,017.0)	(316.0)	4,318.0
July 1997	3,645.0	1,004.0	1,031.0	5,680.0	(814.0)	(140.0)	(954.0)	(341.0)	4,385.0
January 1998	3,607.1	1,027.2	1,020.1	5,654.4	(823.2)	(140.4)	(963.6)	(288.2)	4,402.6
July 1998	3,612.1	1,025.3	1,067.3	5,704.7	(820.9)	(144.7)	(965.6)	(276.9)	4,462.2
January 1999	3,684.5	1,020.6	1,092.2	5,797.3	(859.8)	(147.0)	(1,006.8)	(218.6)	4,571.9
July 1999	3,687.0	1,171.4	1,446.7	6,305.1	(1,073.2)	(158.8)	(1,232.0)	(217.7)	4,855.4
January 2000	3,795.2	1,195.9	1,496.2	6,487.3	(991.1)	(165.6)	(1,156.7)	(233.4)	5,097.2
July 2000	3,797.2	1,193.5	1,510.8	6,501.5	(968.1)	(159.2)	(1,127.3)	(233.2)	5,141.0
January 2001	3,825.7	1,192.0	1,493.9	6,511.6	(993.6)	(159.7)	(1,153.3)	(193.4)	5,164.9
July 2001	3,846.6	1,190.8	1,491.4	6,528.8	(1,020.1)	(159.2)	(1,179.3)	(188.9)	5,160.6
January 2002	3,817.9	1,177.7	1,537.2	6,532.8	(937.0)	(159.6)	(1,096.6)	(196.9)	5,239.3
July 2002	3,816.2	1,175.5	1,526.3	6,518.0	(953.5)	(161.2)	(1,114.7)	(147.0)	5,256.3
January 2003	3,763.8	1,173.5	1,455.5	6,392.8	(939.7)	(162.7)	(1,102.4)	(101.3)	5,189.1
July 2003	3,759.3	1,172.0	1,465.9	6,397.2	(934.3)	(162.9)	(1,097.2)	(62.7)	5,237.3
January 2004	3,750.5	1,173.6	1,490.1	6,414.2	(930.0)	(163.1)	(1,093.1)	(59.7)	5,261.4
July 2004	3,753.1	1,158.9	1,503.5	6,415.5	(930.3)	(162.4)	(1,092.7)	(31.5)	5,291.3
January 2005	3,753.3	1,170.1	1,516.2	6,439.6	(910.7)	(166.1)	(1,076.8)	(23.4)	5,339.4
July 2005	3,755.8	1,164.0	1,531.3	6,451.1	(902.2)	(165.7)	(1,067.9)	(8.4)	5,374.8
July 2006	3,789.9	1,167.8	1,531.0	6,488.7	(907.1)	(168.2)	(1,075.3)	(8.3)	5,405.1



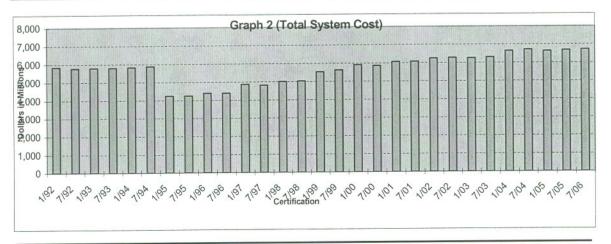


# **Historical Overview of Costs**

The Director of the Department of Transportation has been certifying the cost to complete the Regional Freeway System (RFS) since January 1992. Table 2 shows the cost estimates for the system beginning with the January 1992 Certification. Graph 2 represents the estimated total cost of the Regional Freeway System.

Table 2
Historical RFS Cost Estimates (dollars in millions)

	Life Cycle	Program	Long	Range Plan	Total
	Obligations	Cost to	Cost to	Unfunded	System
Certification		Complete	Complete	Cost to Complete	Cost
January 1992	\$1,778.0	\$1,114.0	\$0.0	\$2,953.0	\$5,845.0
July 1992	1,892.0	1,136.0	0.0	2,746.0	5,774.0
January 1993	2,037.0	983.0	0.0	2,776.0	5,796.0
July 1993	2,013.0	1,086.0	0.0	2,697.0	5,796.0
January 1994	2,063.0	1,043.0	0.0	2,719.0	5,825.0
July 1994	2,090.0	1,270.0	0.0	2,517.0	5,877.0
January 1995	2,165.0	1,383.0	0.0	696.0	4,244.0
July 1995	2,212.0	1,335.0	0.0	696.0	4,243.0
January 1996	2,363.0	1,285.0	0.0	738.0	4,386.0
July 1996	2,427.0	1,221.0	0.0	738.0	4,386.0
January 1997	2,622.0	1,444.0	414.0	388.0	4,868.0
July 1997	2,804.0	1,306.0	395.0	303.0	4,808.0
January 1998	2,904.0	1,382.9	412.3	315.7	5,014.9
July 1998	3,094.8	1,217.3	410.8	315.7	5,038.6
January 1999	3,297.3	1,195.4	541.9	495.9	5,530.5
July 1999	3,499.0	1,617.6	0.0	513.4	5,630.0
January 2000	3,572.1	1,825.2	0.0	515.0	5,912.3
July 2000	3,733.6	1,606.0	0.0	515.0	5,854.6
January 2001	3,897.7	1,543.8	0.0	629.1	6,070.6
July 2001	4,163.8	1,285.2	0.0	629.1	6,078.1
January 2002	4,259.2	1,346.6	0.0	643.1	6,248.9
July 2002	4,439.4	1,179.9	0.0	656.3	6,275.6
January 2003	4,530.9	1,069.8	0.0	656.3	6,257.0
July 2003	4,668.3	972.4	0.0	656.3	6,297.0
January 2004	4,928.7	718.7	0.0	990.4	6,637.8
July 2004	5,047.6	664.2	0.0	990.4	6,702.2
January 2005	5,243.1	389.1	0.0	990.4	6,622.6
July 2005	5,351.0	342.7	0.0	990.4	6,684.1
July 2006	5,681.7	52.0	0.0	990.4	6,724.1



# Appendix A

Discount factors representing the rate of construction cost growth are calculated using software developed by Hickling, Lewis and Brod Inc. Data from the September 2005 Risk Analysis Process (RAP) for construction was utilized to compute factors for design and construction. These factors represent potential cost growth which includes general inflation.

# Cash Flow Discount Factors (percent)

#### For Design & Construction

#### For Right of Way

Fiscal Year	Design & Construction	Fiscal Year	Right of Way
2007	3.0	2007	3.0
2008	6.0	2008	6.0